

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
ECONOMIC DEVELOPMENT COMMITTEE

February 7, 2012
MAG Offices, Saguaro Room
302 N. 1st Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Mayor Thomas L. Schoaf, Litchfield Park,
Chair
Mayor Hugh Hallman, Tempe, Vice Chair
Steven Betts, GPEC
Dr. Joseph Cavinato, Thunderbird
Mark Dreher, East Valley Partnership
#Thomas Franz, Greater Phoenix Leadership
Jim Kenny, El Dorado Holdings, Inc.
Mayor Jim Lane, Scottsdale
*Mayor Michael LeVault, Youngtown
Mayor John Lewis, Gilbert
*Mayor Marie Lopez-Rogers, Avondale
Mayor Jackie Meck, Buckeye
Mary Peters, Mary Peters Consulting
Jim Rounds, Elliott D. Pollack & Company

Floyd Roehrich, Jr., ADOT
*Todd Sanders, Greater Phoenix Chamber
of Commerce
*Mayor Jay Schlum, Fountain Hills
*Mayor Elaine Scruggs, Glendale
Councilmember, Jack Sellers, Chandler
*Jeffrey Simmons, Ryley Carlock &
Applewhite
Mayor Scott Smith, Mesa
Mayor Greg Stanton, Phoenix
*Sandra Watson, Arizona Commerce
Authority
Candace Wiest, WESTMARC
*Supervisor Mary Rose Wilcox, Maricopa
County

* Not present

Participated by video or telephone conference call

OTHERS PRESENT (from sign-in sheet(s)):

Shannon Acevedo, MAG
Eric Anderson, MAG
Gonzalo Ariceta, Thunderbird
Roc Arnett, EVP
Kelly Dalton, Phoenix
Dan Davis, Avondale
Jonathan Donie, MAG
John Dugan, Cinnabar Southwest
Jami Garrison, MAG
Jenna Goad, Glendale
Bob Gooltz, Sun City West Foundation
Bob Hazlett, MAG
Sintra Hoffman, ADOT

Beth Lewallen, Maricopa County
Brad Lundahl, Scottsdale
Denise McClafferty, MAG
Greg Osborne, Thunderbird
Shelly Parnell, GPEC
Karen Peters, Phoenix
Linda Priano, MAG
Tom Remes, Phoenix
Kristen Sexton, Avondale
Amanda Stanko, MAG
Dennis Smith, MAG
Kristen Stephenson, GPEC
Tim Strow, MAG

Kelly Taft, MAG
Jack Tomasik, CAAG

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Schoaf at 11:40 a.m. Chair Schoaf noted that Tom Franz was participating by telephone conference. Chair Schoaf welcomed Mayor Greg Stanton to the EDC.

Chair Schoaf noted public comment cards were available for those members of the public who wish to comment. Transit tickets were available from Valley Metro for those using transit to come to the meeting. Parking validation was available for the MAG parking facilities for those who parked in the garage.

2. Call to the Audience

Chair Schoaf stated according to the MAG public comment process, members of the audience who wish to speak are requested to fill out the public comment cards. He stated that there is a three minute time limit. Public comment is provided at the beginning of the meeting for items that are not on the agenda that are within the jurisdiction of MAG, or non action agenda items that are on the agenda for discussion or information only. Chair Schoaf noted that no public comment cards had been received.

3. Approval of the January 10, 2012 Economic Development Committee Meeting Minutes

Chair Schoaf asked if the members had any questions regarding the January 10, 2012 meeting minutes. There were none.

Mayor Lewis moved to approve the January 10, 2012 Economic Development Committee meeting minutes. Mayor Hallman seconded the motion and the motion carried unanimously.

5. Local Government Incentives Involved in Business Prospects

This agenda item was taken out of order.

Vice Chair Hallman discussed the local government incentives and potential alternatives to decrease the ability of a business to have cities and towns compete against each other. He noted historically, local government budgets have been largely supported by sales tax revenues and this often places cities and towns in competition with each other to attract sales tax generating businesses and hopes other cities join in the effort to stop this type of activity.

Chair Schoaf agreed with Vice Chair Hallman and stated that this is counterproductive to our region and hopes that local governments can find a way to work together.

Mayor Smith noted that local governments have limited resources to chase multiple opportunities, and the region as a whole is hurt when local governments do not create an atmosphere that maximizes these opportunities and agreed that it was important to continue having these types of conversations. He noted other regions have treated these situations as a regional opportunity by approaching it as a joint effort with the theory they will all win.

Mr. Betts noted based on his past experiences, cities should use a developer to get a piece of infrastructure that the city needs and using a sales tax recapture to reimburse the developer from a public policy standpoint makes sense.

Mayor Lane agreed and noted that it would take all local governments cooperation to make this happen.

Chair Schoaf asked if there were any other questions or comments. There were none.

4. Business Relationships with Mexico

Fernando Jimenez, Vice President International, Arizona Commerce Authority thanked the committee and stated that Mexico is Arizona's number one trading partner and during the last three quarters of 2011, Arizona sent \$4.2 billion worth of export products to Mexico compared to \$1.5 billion worth of export products to Canada, \$804 million to China, \$621 million to Japan and \$591 million to the United Kingdom.

Mr. Jimenez noted the top five sectors of exports to Mexico are electrical machinery, ore (mining products), plastic, mineral fuels, and machinery. He noted every one million dollars of export sales supports and/or creates 10-14 jobs in the United States, along with the new dollars that are being created into the economy, and the positive impact on service providers, such as transportation, customs brokers, international lawyers, etc. He stated recent statistics show that 22.6 percent of all manufacturing workers in Arizona depend on exports for their jobs and approximately 5,792 companies exported from Arizona in 2009.

He noted that President Obama's National Export Initiative goal is to double the exports from the United States. This goal has brought resources to Arizona in the form of funding STEP grants and more than \$600,000 to support Arizona companies with exporting efforts. Currently, the National Export Initiative is working to streamline export licensing and controls to ease the process and promote more exporting.

Lisa Short, Director of Export/Import Compliance for Sargent Aerospace and Defense stated Sargent provides engineered products for commercial, military and defense platforms, including aircraft, motorcraft, submarines and land vehicles. She noted for both aerospace

and defense customers, their partners rely on Sargent's capabilities in the design, development and manufacturing of high quality, precision-engineered components and essential aftermarket services.

She stated Sargent was looking for a facility that enabled them to lower manufacturing costs and looked into manufacturing plants in China, Eastern Europe and Mexico. She noted after seeing how The Offshore Group shelter plan could benefit the company, due to the proximity and ease of doing business in Mexico, they launched their operation in Mexico in 2005.

Ms. Short stated they currently have a manufacturing facility in Guaymas, Sonora and performance over the past years has been exceptional. She noted in June 2011, this facility was the first in Mexico to win the UTC Supplier Gold distinction to acknowledge superior performance over a 12-month period in the areas of quality, delivery, lean and customer satisfaction. She noted The Offshore Group handles all transactions and shipping and if product is received by Noon at the Tuscon, Arizona cross dock, it is shipped by 4:00 p.m. and is in Mexico by 6:00 a.m. the next day. She stated because of the growth in Mexico, Sargent has able to expand in Arizona.

Eduardo Saavedra, Vice President of Business Development, The Offshore Group, stated the company was founded in 1986 and is the largest Mexico shelter company and employ 14,500 people. In addition to being the largest private sector employer in the state of Sonora, The Offshore Group is the eighth largest maquiladora industry organization. He noted The Offshore Group provides manufacturing advantages for firms that have pricing and competitive pressures to identify and implement manufacturing cost-reduction measures and quality improvement strategies. He stated some of the manufacturing clients include aerospace, automotive, electronic and medical device manufacturers, as well as metal fabrication and cable assembly.

The Offshore Group's shelter plan has locations in Guaymas and Empalme, Sonora Mexico. He noted Guaymas is home to one of the fastest growing Mexico aerospace manufacturing clusters, while Empalme is home to the Offshore Group's flagship Bella Vista Industrial Park. Its tenants include manufacturers of specialized cable assemblies, auto parts, medical devices, electronic components, as well as a diversity of other products.

Mr. Saavedra noted The Offshore Group also assists in the establishment of legal entities for firms seeking to sell product into Mexico's domestic market. He noted that Mexico shelter companies provide manufacturing advantages by mitigating risk. The structure of The Offshore Group's business model is such that Offshore Group clients have no direct dealings with Mexico's IRS equivalent, and are often able to reallocate labor to other Offshore Group customers during downturns in demand and production.

He stated in 2007, The Offshore Group's Mexico Import and Export Management Service organization and infrastructure moved over \$1.8 billion USD of Client goods across the

U.S.-Mexico border. Over fifty thousand customs declarations were produced and two hundred and fifty thousand freight pieces were handled, all with a regulatory track record that has achieved the privileged status of “certified importer”. This means that when there are delays at the border, Offshore Group client company shipments take precedence over those of companies that do not hold such status. Mr. Saavedra noted that if anyone wanted more information they could reach him directly at eduardo.saavedra@offshoregroup.com or go to the website at www.offshoregroup.com.

Chair Schoaf thanked the speakers and noted that he felt this was a very important topic to be discussed. Chair Schoaf asked the committee if there were any questions or comments.

Ms. Peters asked Ms. Short if there were any intellectual property issues with Mexico and asked Mr. Saavedra what would he suggest regarding the delays at the border.

Ms. Short noted intellectual property is something they are concerned about because they are a defense contractor. She stated they have not had any direct issues regarding intellectual property at the Mexico plant because they are Sargent employees and are very loyal to Sargent. She did note Sargent does take the necessary precautions, networks are secure and export requirements are always maintained. She noted this has not been the case in their manufacturing plant in China. She stated this plant is strictly a commercial plant and no military operations will go there. She indicated the FBI has done briefings with the management and security teams at Sargent and noted that China has amped up their aggressiveness of corporate espionage and Sargent has taken the appropriate precautions.

Mr. Saavedra suggested using a CT-PAT in Mexico or opening a Fast Lane for known entities. He also noted that most of the delays occur northbound. Mr. Betts asked if rail would be an option. Mr. Saavedra stated at this time none of his clients use the rail, it is completely trucking.

Mr. Jimenez reminded the committee as they continue their economic development efforts, to let their local communities be aware of the opportunities that are available in doing business in Mexico. He stated for Arizona businesses interested in exporting goods or services, the Commerce Authority offers basic business counseling, trade missions, valuable contacts, background information and the most recent statistics on trade and market research. He noted for more information you can go to www.azcommerce.com.

Chair Schoaf asked if there were any other comments or questions. There were none.

6. Greater Phoenix Rising Website

Denise McClafferty thanked the committee and recognized the partnership between MAG and the Greater Phoenix Economic Council (GPEC) staff and their hard work in developing a data-intensive, visually-driven website that provides pertinent information about the region

to businesses looking to expand or relocate to Arizona. She began the presentation with the newly-launched sections on the GreaterPhoenixRising.com website.

She noted the additional sections included the Lifestyle and Key Assets, along with the Technology and International sub-sections of Special Reports. Some of the key sections that were shown in the presentation were the low instances of natural disasters in our area, the outdoor activities available, with maps showing the drive time and locations to the attractions in the Maricopa Region. Ms. McClafferty then highlighted the steady increase in degrees awarded from Arizona State University, University of Arizona and Northern Arizona University from 2001 to 2010. She discussed the presentation the PEW Center gave at the NARC conference in Austin and the importance of investing in early childhood education. She noted that in the earliest years of a child's life, zero to 3 years of age, critical brain and emotional capacities develop and early investment produces a return on investment of up to 10 to 1.

Ms. McClafferty presentation included maps showing the major hospitals in Maricopa County with nationally ranked specialties and/or high performance specialties. Also being presented were the new landing page videos for the Business & Economy section, and Transportation sections. She also introduced the interactive mapping tool that is available on the Business & Economy and Population & Housing sections of the website. She noted that MAG staff could be contacted if anyone would like a demonstration on how to use this mapping tool.

Ms. McClafferty stated some of the marketing strategies to promote this website include a press release, outreach to the public information officers, national trade media, and visitors bureaus, and potentially Super Bowl marketing efforts. She also encouraged all MAG member agencies to add the www.GreaterPhoenixRising.com website link to their websites.

Chair Schoaf asked if there were any other questions or comments. There were none.

7. Innovation Discussion

Mr. Smith recognized Amanda Stanko, Peter Burnett and Gordon Tyus for their assistance in this presentation. He noted at the last committee meeting, presentations were given on innovation efforts taken place in the region, and several members commented that local government could play a great role in encouraging innovation.

Mr. Smith stated a university in Turkey did a study on the link between innovation and economic growth. The study showed the pillars of the economy and how they relate to innovation. He noted the ninth pillar, innovation, is particularly important for countries that have reached the high-tech frontier, as it is the only self sustaining driver of growth. The study notes that this requires an environment that is conducive to innovative activity, and support by both the public and private sectors. The presentation included a chart from the

Global Competitiveness Report that showed the levels of economic development and how it relates to innovation, with innovation being the highest level. It was noted that infrastructure is a basic requirement, which would include transportation and many of the services provided by local governments.

Mr. Smith noted the 2011 Global Competitiveness Index shows the United States has slipped from fourth to fifth place, and on the Global Innovation Index, the United States is ranked number seven, while Scandinavian countries ranked higher in both. Mr. Smith stated when Denis LeClerc, Professor of Thunderbird, presented at a MAG staff retreat he noted that Sweden was one of the most competitive companies in the world.

Mr. Smith stated several of the local governments in Maricopa County participate in the Sister City Program. The goals of this program include: 1) developing a municipal partnership between U.S. cities, counties and states with similar jurisdictions in other nations, 2) provide opportunities for city officials and citizens to experience and explore other cultures through long-term community partnerships, 3) create an atmosphere in which economic and community development can be implemented and strengthened, 4) stimulate environments through which communities will creatively learn, work, and solve problems together through reciprocal cultural, educational, municipal, business, professional and technical exchanged and projects and 5) collaborate with organizations in the United States and other countries which share similar goals.

Mr. Smith noted Maricopa County has approximately thirty seven Sister Cities in twenty two countries. He presented a slide combining the two rankings showing that nine Sister Cities out of thirty seven from local governments in Maricopa County are in the top ten. He noted we need to continue supporting innovation through projects such as incubators, see our Sister Cities as an opportunity for innovation, invite local innovators to participate in our Sister Cities, and notice that Scandinavia is an untapped resource for the Sister City exchange.

Chair Schoaf asked if there were any questions or comments from the committee. There were none.

8. 2012 Desert Peaks Awards - Additional Category

Ms. Taft thanked the Chair and members of the Economic Development Committee for the opportunity to discuss the planning efforts for the Desert Peaks Awards scheduled for June 27th of this year. She noted the Desert Peaks Awards are held biennially and were created by MAG in 1998 to recognize individuals and partnerships that have demonstrated a commitment to regionalism through their cooperative efforts.

Ms. Taft noted the event consists of a reception followed by a presentation of the awards and currently, awards are presented in five categories. These categories are: Public Partnership, Public-Private Partnership, Professional Service, Regional Partnership, and Regional

Excellence. She noted that this year, in recognition of the work being done through the efforts of the Economic Development Committee, MAG staff proposed to the Executive Committee that it might be appropriate to consider the addition of a sixth award category. She stated the award would potentially be presented to a business, individual or economic development agency in the region that has demonstrated a commitment to creating an environment conducive to promoting regional economic development, in collaboration with the public sector. She noted that there is an award category for Public/Private partnership, however, this new award would be more focused on economic development efforts.

Ms. Taft stated that the Executive Committee recommended that the proposal be brought forward to the EDC for guidance. She noted some initial thoughts on a possible name for this award are Outstanding Regional Business Partner or Outstanding Economic Development Champion.

Chair Schoaf asked if there were any comments from the committee.

Mr. Betts stated he liked the idea and agreed we should recognize a special program that should be highlighted.

Mr. Lane agreed and already knows he would submit a candidate under this category.

Chair Schoaf noted that this award should be added and named Outstanding Economic Development Champion, which would be open to a business, agency or individual.

Ms. Taft also noted it is MAG staff's goal to publish nomination forms to the Desert Peaks website, as soon as changes following this meeting are made, and that the due date for nominations will be March 16th. She also stated that a panel of judges will be selected from recommendations made by Regional Council members.

Chair Schoaf asked if there were any other questions or comments. There were none.

9. Request for Future Agenda Items

Chair Schoaf asked if there were any requests for future agenda items. There were none.

10. Comments from the Committee

Mr. Betts announced the designation of Interstate 11 was included in the Senate Transportation Bill, which means we would have the designation to move this project forward. He noted it is not in the House Transportation Bill. He stated Arizona does not have a Congressman who is part of the negotiation team on the Transportation Committee and asked the elected officials to speak to their delegation and to ask for support of this designation.

Chair Schoaf then recognized Mayor Smith's birthday.

Ms. Peters advised the House Transportation Bill 2358 would be heard on February 16th, 2012 and asked the committee members to support this bill.

Mr. Smith noted on February 27, 2012 the Joint Planning Advisory Council is meeting to work on a resolution of support for Arizona's ports of entry to Mexico.

Chair Schoaf stated the next meeting is scheduled for Tuesday, March 6, 2012.

Adjournment

Mayor Smith moved to adjourn the meeting. Mayor Lane seconded the motion and the motion carried unanimously. There being no further business, the Economic Development Committee meeting was adjourned at 1:11 p.m.

Chair

Secretary